

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7816
BILL NUMBER: SB 567

DATE PREPARED: Jan 30, 2001
BILL AMENDED:

SUBJECT: Pull Tabs.

FISCAL ANALYST: Jim Landers
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FUNDS AFFECTED:	GENERAL	IMPACT: State
<u>X</u>	DEDICATED	
	FEDERAL	

Summary of Legislation: The bill authorizes licensed beer retailers to sell pull tabs (tickets or cards), punchboards, and tip boards on the retailers' premises. The bill requires the Department of State Revenue to administer and regulate pull tab sales. The bill also requires a licensed beer retailer to obtain a pull tab license from the Department of State Revenue before selling pull tabs, punchboards, or tip boards. The bill sets forth requirements for the licensed sale of pull tabs, punchboards, and tip boards. It also sets forth license fees, prize limits, and the maximum price for a pull tab, punchboard, or tip board.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The bill would impact the Department of State Revenue by imposing new administrative and enforcement responsibility relating to pull tab, punchboard, and tip board sales by beer retailers. This responsibility would include licensing of beer retailers to sell pull tabs, licensing pull tab manufacturers and distributors, collection of licensing fees, and oversight and investigation to ensure the security and integrity of the games. Any administrative cost relating to these responsibilities would, under the bill, be paid by revenue from license fees imposed on beer retailers, manufacturers, and distributors, and penalties.

Currently, the Department has similar responsibility for enforcement of the Charity Gaming law. This includes licensing organizations to conduct charity gaming, and licensing manufacturers and distributors of charity gaming materials and supplies. This also includes responsibility for collection of the Charity Gaming Excise Tax from manufacturers and distributors. No such tax is imposed by this bill. FY 2001 expenses for Charity Gaming Enforcement by the Department are estimated to be \$116,527. According to the Department's proposed FY 2002 and FY 2003 budgets, there are no full-time personnel dedicated to Charity Gaming Enforcement. During FY 2000 the Department issued 2,115 Charity Gaming licenses to organizations, 12 manufacturers licenses, and 56 distributors licenses. In comparison, there are approximately 14,105 licensed beer retailers in the state.

Explanation of State Revenues: *Beer Retailers:* The bill would permit licensed beer retailers to conduct on-premises sales of pull tabs (in ticket or card form), punchboards, and tip boards provided they obtain a license to do so from the Department of State Revenue. The bill imposes a fee on beer retailers obtaining such a license. The initial license fee for beer retailers wishing to sell pull tabs, punchboards, and tip boards is not specified in the bill but is limited to a maximum of \$1,000. The renewal license fee schedule is presented in the table below. (Note: The fee schedule appears to imply that a beer retailer earning \$100,000 or more in gross revenues from pull tab, punchboard, and tip board sales would not pay the annual renewal fee.)

Annual Gross Revenues from sale of pull tabs, punchboards, and tip boards equal to:		
At least	But less than	Annual Fee
\$0	\$15,000	\$1,000
\$15,000	\$25,000	\$2,000
\$25,000	\$50,000	\$3,000
\$50,000	\$75,000	\$4,000
\$75,000	\$100,000	\$5,000

Currently, there are approximately 14,105 licensed beer retailers in the state. These license holders include taverns, restaurants, package stores, grocery stores, hotels, social and fraternal clubs, caterers, stadiums, airports, civic centers, Hoosier Park racetrack, satellite off-track betting facilities, and Riverboat casinos.

During FY 2000, a total of 2,115 Charity Gaming licenses were issued. Under the existing Charity Gaming law, a bona fide civic, educational, political, religious, senior citizens, or veterans organization may hold a charity gaming license to conduct charity gaming events, including sale of pull tabs, punchboards, and tip boards. Of this total, 274 Charity Gaming licenses were issued to organizations that sold only pull tabs, punchboards, and tip boards. Gross income earned by these organizations just from the sale of pull tabs, punchboards, and tip boards totaled approximately \$48.79 M in FY 2000. This is an average of approximately \$178,000 per organization for FY 2000.

Manufacturers and Distributors: The bill also requires manufacturers and distributors of pull tabs, punchboards, and tip boards for beer retailers to obtain a license from the Department of State Revenue. The bill imposes an annual license fee on manufacturers and distributors. The initial license fee and the renewal license fee is not specified in the bill but is limited to a maximum of \$1,000. The bill also prohibits a licensed manufacturer or distributor for purposes of charity gaming from being licensed to manufacture or distribute pull tabs, punchboards, or tip boards for beer retailers. During FY 2000 there were 12 manufacturers and 56 distributors licensed under the Charity Gaming law to make and distribute charity gaming materials and devices to licensed organizations.

Penalties: The bill permits the Department of State Revenue to impose civil penalties ranging from \$1,000 to \$5,000 for various violations of the provisions relating to pull tab, punchboard, and tip board sales by beer retailers.

Pull Tab Enforcement Fund: The bill establishes the Pull Tab Enforcement Fund within which money from license fees and penalties must be deposited. The bill requires money in the fund to be used to meet the costs of administering the provisions regarding pull tab, punchboard, and tip board sales by beer retailers. Surplus revenue in the Fund is required to be transferred quarterly to the Lottery and Gaming Surplus Account in the Build Indiana Fund.

Under the current statute, surplus Lottery revenue is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, surplus Lottery revenue is then distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund.

The LGSA also receives surplus gaming revenues (revenues from the Riverboat Wagering Tax, the Parimutuel Wagering Tax, and the Charity Gaming Excise Tax). A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. (Beginning with FY 2002 and continuing each year thereafter this amount is equal to approximately \$236.2 M.) The remaining money in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA). The table below outlines the actual and estimated Lottery and gaming revenue for FY 2000 to FY 2003, along with the required statutory distributions. The balance of the BIF as of June 30, 2000, was \$342.1 M.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	FY 2000 (Actual)	FY 2001 (Projected)	FY 2002 (Projected)	FY 2003 (Projected)
Surplus Lottery Revenue	\$173.3	\$155.0	\$155.0	\$155.0
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
Surplus Lottery Revenue to the LGSA	\$113.3	\$95.0	\$95.0	\$95.0
Surplus Gaming Revenue to the LGSA	\$252.5	\$274.2	\$283.7	\$283.7
Interest	\$18.1	\$24.5	\$25.0	\$25.0
Total Revenue to LGSA	\$383.9	\$393.7	\$403.7	\$403.7
MVETRA Transfer	(\$219.8)	(\$234.7)	(\$236.2)	(\$236.2)
SLCPA Transfer	(\$164.1)	(\$159.0)	(\$167.5)	(\$167.5)

*Updated as of 1/25/01.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, State Police Department, Indiana Alcoholic Beverage Commission, Professional Licensing Agency.

Local Agencies Affected:

Information Sources: Department of State Revenue, October 1, 2000, Charity Gaming Report.
Indiana Alcoholic Beverage Commission.